

## INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement No. 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement No. 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund Financial Statements, including the funds below:

- **Equipment Operations Fund** - This fund was established as an internal service fund through which City departments are charged for the use of vehicles and other equipment, based on actual operating costs. In addition, rates for vehicles and heavy equipment include a depreciation contribution factor to establish a reserve for future replacement.
- **Information Technology Operations Fund** - This fund was established to develop a reserve account for information technology equipment and software and will be used to fund future equipment and major software replacement based on an analysis of future needs. Each department is assessed an annual amount that will provide adequate funds to replace current computer and related equipment. In addition the fund provides City-wide support for all office automation equipment.
- **Risk Management Fund** - This fund is used to account for the City's workers' compensation program, General Liability and property insurance program, and group health program. In March, 1993 the City joined the Redwood Empire Municipal Insurance Fund for its workers' compensation and liability insurance programs, changing from self-insurance to a municipal insurance pool. The City will continue to administer worker's compensation claims from prior to March, 1993, and existing liability claims. In August 2002, the City changed from its group health self-insurance program and joined three separate municipal insurance pools dependent in bargaining unit. Prior claims were paid through May 2003.
- **Redevelopment Administration Fund** - This fund was established to account for administrative services provided by the City to the Redevelopment Agency.

CITY OF EUREKA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
June 30, 2005

	<u>Equipment Operations</u>	<u>Risk Management</u>	<u>Information Technology</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,662,039	\$ 821,196	\$ 371,058
Accounts receivable - net	736	972	
Interest receivable	19,057	10,587	4,235
Prepaid items		20,000	
	<u>1,681,832</u>	<u>852,755</u>	<u>375,293</u>
Total current assets			
Capital Assets:			
Depreciable:			
Buildings	429,246		
Improvements	42,399		
Machinery and equipment	<u>5,722,579</u>		<u>1,278,128</u>
Total depreciable capital assets	6,194,224		1,278,128
Less accumulated depreciation	<u>(4,670,189)</u>		<u>(964,493)</u>
Total capital assets, net	<u>1,524,035</u>		<u>313,635</u>
Total Assets	<u>\$ 3,205,867</u>	<u>\$ 852,755</u>	<u>\$ 688,928</u>

<u>Redevelopment Administration</u>	<u>Totals</u>
\$ 243,845	\$ 3,098,138
	1,708
6,352	40,231
	<u>20,000</u>
<u>250,197</u>	<u>3,160,077</u>
	429,246
	42,399
	<u>7,000,707</u>
	7,472,352
	<u>(5,634,682)</u>
	<u>1,837,670</u>
<u>\$ 250,197</u>	<u>\$ 4,997,747</u>

(Continued)

**CITY OF EUREKA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2005**

	<u>Equipment Operations</u>	<u>Risk Management</u>	<u>Information Technology</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 53,932	\$ 158,676	\$ 17,672
Claims and judgments payable		90,445	
	<u>53,932</u>	<u>249,121</u>	<u>17,672</u>
Total current liabilities	<u>53,932</u>	<u>249,121</u>	<u>17,672</u>
Noncurrent Liabilities:			
Capital lease payable			263,883
Compensated absences	<u>33,768</u>		<u>6,060</u>
	<u>33,768</u>		<u>269,943</u>
Total noncurrent liabilities	<u>33,768</u>		<u>269,943</u>
Total Liabilities	<u>87,700</u>	<u>249,121</u>	<u>287,615</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,524,035		49,752
Unrestricted	<u>1,594,132</u>	<u>603,634</u>	<u>351,561</u>
Total Net Assets	<u>\$ 3,118,167</u>	<u>\$ 603,634</u>	<u>\$ 401,313</u>

<u>Redevelopment Administration</u>	<u>Totals</u>
\$ 35,043	\$ 265,323
	90,445
<u>35,043</u>	<u>355,768</u>
	263,883
<u>11,652</u>	<u>51,480</u>
<u>11,652</u>	<u>315,363</u>
<u>46,695</u>	<u>671,131</u>
	1,573,787
<u>203,502</u>	<u>2,752,829</u>
<u>\$ 203,502</u>	<u>\$ 4,326,616</u>

**CITY OF EUREKA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2005**

	Equipment Operations	Risk Management	Information Technology
Revenues:			
Charges for services	\$ 1,323,765	\$ 931,221	\$ 695,160
Miscellaneous	8,960	91,856	
Total Operating Revenues	<u>1,332,725</u>	<u>1,023,077</u>	<u>695,160</u>
Expenses:			
Maintenance and operation	910,373	80,142	510,384
Administration	52,649	32,592	24,701
Insurance costs and claims	48,329	1,339,808	
Depreciation	317,818		39,184
Total Expenses	<u>1,329,169</u>	<u>1,452,542</u>	<u>574,269</u>
Operating Income (Loss)	<u>3,556</u>	<u>(429,465)</u>	<u>120,891</u>
Non-Operating Revenues (Expenses)			
Interest income	92,717	58,201	22,986
Interest expense			(13,765)
Total Non-Operating Revenues (Expenses)	<u>92,717</u>	<u>58,201</u>	<u>9,221</u>
Change in Net Assets	96,273	(371,264)	130,112
Net Assets, July1, 2004	<u>3,021,894</u>	<u>974,898</u>	<u>271,201</u>
Net Assets, June 30, 2005	<u>\$ 3,118,167</u>	<u>\$ 603,634</u>	<u>\$ 401,313</u>

Redevelopment Administration	Totals
\$ 686,678	\$ 3,636,824
	100,816
<u>686,678</u>	<u>3,737,640</u>
786,633	2,287,532
103,789	213,731
9,839	1,397,976
	<u>357,002</u>
<u>900,261</u>	<u>4,256,241</u>
<u>(213,583)</u>	<u>(518,601)</u>
19,063	192,967
	<u>(13,765)</u>
<u>19,063</u>	<u>179,202</u>
(194,520)	(339,399)
<u>398,022</u>	<u>4,666,015</u>
<u>\$ 203,502</u>	<u>\$ 4,326,616</u>

**CITY OF EUREKA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2005**

	<u>Equipment Operations</u>	<u>Risk Management</u>	<u>Information Technology</u>
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	\$ 1,335,148	\$ 1,023,273	\$ 695,160
Payments to suppliers and users	(636,652)	(1,481,065)	(430,454)
Payments to employees	(353,158)		(150,706)
Net Cash Provided (Used) by Operating Activities	<u>345,338</u>	<u>(457,792)</u>	<u>114,000</u>
Cash Flows from Capital and Related Financing Activities:			
Principal paid on long-term debt			(65,902)
Interest paid			(13,765)
Net Cash Used by Capital and Related Financing Activities			<u>(79,667)</u>
Cash Flows from Investing Activities:			
Interest received	86,889	60,809	22,733
Net Cash Provided (Used) by Investing Activities	<u>86,889</u>	<u>60,809</u>	<u>22,733</u>
Net Increase (Decrease) in Cash and Cash Equivalents	432,227	(396,983)	57,066
Cash and Cash Equivalents, July 1, 2004	<u>1,229,812</u>	<u>1,218,179</u>	<u>313,992</u>
Cash and Cash Equivalents, June 30, 2005	<u>\$ 1,662,039</u>	<u>\$ 821,196</u>	<u>\$ 371,058</u>
Cash and investments on Combining Statement of Net Assets	<u>\$ 1,662,039</u>	<u>\$ 821,196</u>	<u>\$ 371,058</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 3,556	\$ (429,465)	\$ 120,891
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	317,818		39,184
Increase (Decrease) in Operating Assets:			
Accounts receivable	2,423	196	
Increase (Decrease) in Operating Liabilities:			
Claims and judgements payable		(2,629)	
Accounts Payable	10,242	(25,894)	(45,624)
Compensated absences	11,299		(451)
Net Cash Provided (Used) by Operating Activities	<u>\$ 345,338</u>	<u>\$ (457,792)</u>	<u>\$ 114,000</u>



Redevelopment Administration	Totals
\$ 686,678	\$ 3,740,259
(782,266)	(3,330,437)
(164,024)	(667,888)
(259,612)	(258,066)
	(65,902)
	(13,765)
	(79,667)
14,390	184,821
14,390	184,821
(245,222)	(152,912)
489,067	3,251,050
\$ 243,845	\$ 3,098,138
\$ 243,845	\$ 3,098,138
\$ (213,583)	\$ (518,601)
	357,002
	2,619
	(2,629)
(36,037)	(97,313)
(9,992)	856
\$ (259,612)	\$ (258,066)